



COMMONWEALTH of VIRGINIA
Department of Medical Assistance Services

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September 10, 2007

Dear Medicaid Coordinator

In the August 10, 2007 letter to school superintendents, Dr. Cannaday and Mr. Finnerty informed school divisions that the Centers for Medicare and Medicaid Services (CMS), the federal Medicaid oversight agency, had approved two Medicaid State Plan Amendments. The approvals included new covered services, changes in program requirements and a cost-based reimbursement methodology. The cost-based reimbursement methodology is effective July 1, 2006. This is one of two letters describing changes in the reimbursement methodology for medical services.

This letter describes the steps school divisions need to follow to complete the approved medical services cost report for the 2006-2007 school year. The other letter describes changes being made to the quarterly time study and cost report submitted by school divisions for the 2007-2008 school year. Please share this information with other staff responsible for medical services cost reports.

DMAS, DOE and the DMAS contractor, the University of Massachusetts Medical School (UMMS), have worked closely on these instructions. Presentations on these changes and further information will be discussed at the annual DOE conference in Charlottesville, VA on October 2-3, 2007.

The most significant change to the final cost report approved by CMS is the requirement that DMAS use statewide time study percentages for statistical validity. Using individual school division time study percentages in the past meant that some divisions excluded the costs of personnel who did not complete the time study if the level of participation was not statistically valid. Since statistical validity will be determined on a statewide basis rather than on an individual school division basis, no school division will have to exclude the costs of personnel who do not complete a time study.

CMS also agreed to allow school divisions to use the same personnel costs reported for the administrative claim for individuals who also perform medical services for the cost report. As a result, school divisions will not have to duplicate the personnel

costs. UMMS will be able to furnish personnel cost reports to school divisions for use in the medical services cost report.

To implement the two changes described above, it was decided that personnel costs and time study percentages would be reported on a quarterly basis and summed for the year. This involves a significant revision to sections 2 and 3 (including subsections to section 3 for each quarter's personnel cost) as well as a small revision to section 4.

The final cost reports and instructions will be available on the DOE web site at www.doe.virginia.gov/VDOE/Instruction/Sped/medicaidmain.html. Also available on the web site will be the revised Time Study manual.

The rest of the letter outlines the specific steps that need to be completed and timelines that need to be met so that the medical services cost report for the 2006-2007 school year can be submitted by November 30, 2007.

Identifying Medical Services Staff

UMMS will send each school division a list of active participants in its database for each quarter in the 2006-2007 school year by September 14, 2007. Each school division must identify those individuals to be included on the medical services cost report by marking a yes in the "Medical" column. Also, any individuals not previously identified to UMMS who should be part of the medical services cost report should be included on the bottom. School divisions should indicate "medical" for all Medicaid qualified practitioners (and aides) who complete documentation for services furnished to Medicaid students for all services that the school has billed for. For example, do not include occupational therapists and aides if you do not bill OT. You may include personnel who provide services recently approved by CMS if you have documentation for the services and intend to bill them. You should separately identify clerical personnel who do billing, but do not indicate "medical" for these personnel. School divisions should return the list by October 12, 2007.

Personnel Costs

In order for UMMS to provide personnel cost reports for each school division, school divisions must submit all personnel costs for all quarters in the 2006-2007 school year by October 16, 2007. This could include costs not previously reported because the school division did not have sufficient time study participation for statistical validity and reported costs only for personnel who completed the time study. Using the reported costs, UMMS will provide personnel cost reports for use in Section 3 of the medical services cost report by October 31. If the school division has not provided all personnel costs to UMMS by October 16, 2007, the school division will have to furnish them.

Time Study Percentages

Also at the end of October, UMMS will send school divisions the time study percentages to be used in Section 2 of the Cost Report. CMS has required that DMAS use statewide time study percentages so all school divisions will use the same time study percentages. There will be separate time study percentages for each quarter. In time studies for this school year, the direct services code F will be divided between F1, IEP-Related Direct Services, which is reimbursable, and F2, Non-IEP Related Direct Services, which is non-reimbursable. CMS expects DMAS to adjust cost reports for FY07 using time study results for these two codes from FY08 time studies. Consequently, DMAS is going to assume that only 90% of code F is for IEP-Related Direct Services to minimize the adjustment.

Claims and Payment Reports

Claims for services provided in the 2006-2007 school year should be submitted by the end of September so that DMAS can prepare payment reports on interim payments. Interim payments are needed for Section 6 on reconciliation. DMAS will mail these reports by October 31, 2007. Any claims that are submitted and paid after September 30, 2007 will be included in next year's payment report. Clifton Gunderson will also use the information from the payment report to calculate interim rates for future claims.

Non-Personnel Costs

The school division will be responsible for reporting non-personnel costs on Section 5 based on the instructions.

Eligibility Percentages

Each school division must calculate three eligibility percentages that represent Medicaid, Medicaid Expansion and FAMIS students with IEPs divided by all students with IEPs as of December 1, 2006. Instructions were previously sent on January 5, 2007 and most school divisions have reported these percentages to DMAS. Those who haven't completed this step need to do so in order to complete Sections 4 and 5 of the cost report. The instructions are available on the DOE web site.

Cost Report Submission

School divisions will have one month after receiving all the information from DMAS and UMMS to complete and submit the cost report to Clifton Gunderson by the November 30, 2007 deadline. Clifton Gunderson will settle cost reports within 180 days of submission (May 31, 2008 if submitted on November 30, 2007).

DMAS, DOE, UMMS and Clifton Gunderson are committed to assisting school divisions in this transition. If you need assistance please feel free to contact

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Sincerely,

A handwritten signature in black ink that reads "William J. Lessard, Jr." The signature is written in a cursive style with a large, stylized 'W' and a clear 'Jr.' at the end.

William J. Lessard, Jr.
Director
Provider Reimbursement